# Financial Assistance Award

**DENALI COMMISSION**
**510 "L" Street, Suite 410**
**Anchorage, Alaska 99501**
**(907) 271-1414 (phone)**
**(907) 271-1415 (fax)**
**www.denali.gov**

| | |
|---|---|
| **Project Number** | **0078-DC-2002-I29** |
| **Project Title** | **Power Project Fund Capitalization** |
| **Performance Period** | June 1, 2002 – April 30, 2007 |

**Recipient Name & Address**

State of Alaska
Alaska Energy Authority
813 W. Northern Lights
Anchorage, AK 99503

Phone: (907) 269-3000
Fax: (907) 269-3044

| **Authority** | **CFDA Number** |
|---|---|
| 112 Stat 1854 | 90.100 |

| | |
|---|---|
| **Denali Commission Finance Officer Certification** | UMF |

**Cost Share Distribution Table**

| Accounting Code | Denali Commission | Other Contributors | Total |
|---|---|---|---|
| Denali Commission Base Funding | $1,879,358 | $0 | $1,879,358 |
| RUS Funding | $1,143,975 | $0 | $1,143,975 |
| | | | $0 |
| | | | $0 |
| **Total** | **$3,023,333** | **$0** | **$3,023,333** |

This Financial Assistance Award approved by the Federal Co-Chair of the Denali Commission is issued in triplicate and constitutes an obligation of federal funding. By signing the three documents, the Recipient agrees to comply with the Award provisions indicated below and attached. Upon acceptance by the Recipient, two signed Award documents shall be returned to the Federal Co-Chair of the Denali Commission and the Recipient shall retain the third document. If not signed and returned without modification by the Recipient within 30 days of receipt, the Federal Co-Chair may unilaterally terminate this Award.

- [x] Special Award Conditions and Attachments
- [ ] Line Item Budget
- [x] OMB Circular A-133, Audits of States, Local Governments and Indian Tribal Governments (www.whitehouse.gov/OMB/circulars/a133/a133.html)

**Administrative Requirements (check one)**

- [x] 15 CFR 24, Uniform Admin Requirements for Grants/Cooperative Agreements to State and Local Governments (www.access.gpo.gov/nara/cfr/waisidx_99/15cfr24_99.html)
- [ ] 15 CFR, Part 14, Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, Other Nonprofit, and Commercial Organizations (www.access.gpo.gov/nara/cfr/waisidx_99/15cfr14_99.html)

**Cost Principles (check one)**

- [x] OMB Circular A-87, Cost Principles for State and Local Governments and Indian Tribal Governments (www.whitehouse.gov/OMB/circulars/a087/a087-all.html)
- [ ] OMB Circular A-122, Cost Principles for Nonprofit Organizations (www.whitehouse.gov/OMB/circulars/a122/a122.html)
- [ ] OMB Circular A-21, Cost Principles for Educational Institutions (www.whitehouse.gov/OMB/circulars/a021/a021.html)
- [ ] 48 CFR 31.2, Contracts with Commercial Organizations

| Signature of Authorized Official - Denali Commission | Typed Name and Title | Date |
|---|---|---|
| Jeff Staser | Jeffrey B. Staser, Federal Co-Chair | 6/28/02 |
| **Signature of Authorized Official** | **Typed Name and Title** | **Date** |
| Robert Poe | Robert Poe, Jr., Executive Director | 7/2/02 |

**Award Conditions to the Financial Assistance Award**
**Between the Denali Commission (Commission) and Alaska Energy Authority (AEA)**
**For FFY 2002 Power Project Fund Capitalization**
**June 2002**
**Project No. 0078-DC-2002-I29**

## 1. *Scope of Work*

The scope of work under this Financial Assistance Award is to capitalize the Power Project Fund (PPF) to initially provide loans for projects identified for award under the Request for Proposals for Alaska Energy Cost Reduction Projects which was issued May 18, 2001 by AEA on behalf of the Denali Commission

In accordance with AS 42.45.010 and AS 42.45.060 and 3 AAC 106.100-140 AEA will provide PPF loans to eligible borrowers to construct eligible projects.

Repayment of principal, and payment of interest on and any fees for loans made with funds provided under this award, will be deposited into the PPF, and utilized for any purpose authorized under AS 42.45.010, AS 42.45.060 and 3 AAC 106.100- 140.

## 2. *Award Performance Period*

The award performance period is June 1, 2002 through the initial disbursement of all the loans funded with this award, but no later than April 30, 2007.

## 3. *Direct and Indirect Costs*

The cost principles of OMB Circular A-87 are applicable to this award. Up to 4% of the total costs under this award are allowable for the direct cost of AEA personnel time devoted to and identified on their timesheets for administration of the award. AEA direct personnel costs for loan administration exceeding the 4% limit plus indirect costs will be considered a matching contribution.

## 4. *Budget and Program Revisions*

Budget and program revisions to Commission funding shall be in accordance with 15CFR24.30.

Written request by letter from the AEA Project Officer to the Commission Project Officer for concurrence is necessary for budget and program revisions where projects are added or that would result in the need for additional Commission funds.

## 5. *Reporting*

Two forms of project reporting are required under this award. *Note that the grant portion of these projects is funded under Project No. 0048-DC-2002-I1, which encompasses reporting requirements for labor and photographic documentation beyond the reports required under this award.* Reports are due within 30 days of the end of the reporting period. The Commission reserves the right, at a future date, to direct AEA to provide progress reports in electronic format for posting on the Commission web page.

a. Project status reports shall be submitted to the Commission project officer quarterly in the attached format.

b. A Financial Status Report (Standard Form 269), www.whitehouse.gov/OMB/grants/index.html#forms) and a final Financial Status Report shall be submitted to the Commission Project Officer within 90 days after the end of the Award Performance Period.

## *6. Payments*

The preferred method of payments under this award is through the U.S. Department of Treasury's Automated Standard Application for Payment (ASAP) system. AEA must be registered with the ASAP program in order to make draw downs. Payments will be made in accordance with 15 CFR 24.21. If payment is not made through the ASAP system, AEA must submit a "Request for Advance or Reimbursement", Standard Form-270, to the Commission Project Officer to receive payment. It is expected that AEA will forecast by letter or spreadsheet format, Commission funds for working capital advances needed on a monthly (or as needed) basis for the project. Denali Commission funds advanced **may not** be deposited into interest bearing accounts. This does not preclude more frequent Commission payments than monthly, given project specific needs. The Commission Project Officer may review all payments to determine if payments made are justified and supported by appropriate records, invoices and other documentation. The Commission reserves the right to prohibit further payments, at any time, if discrepancies involving Commission funds arise, until such time that the discrepancies are resolved to the satisfaction of the Commission. Pay requests for City administrative costs shall be on a separate Standard Form – 270 (quarterly) from project pay requests.

## *7. Award Close Out Process*

The award closeout must be completed within 90 days of the end of the award performance period or within 90 days of the completion of the project, whichever is earlier. Project closeout includes the submission of both a final narrative report and financial status report.

## *8. Public Policy Laws and Assurances*

AEA will comply with the public policy laws and assurances on the signed, attached form SF 424D. Certain of the public policy laws and assurances are highlighted below for your reference.

Lobbying: No portion of this award may be used for lobbying or propaganda purposes as prohibited by 18 U.S.C. Section 1913 or Section 607(a) of Public Law 96-74.

Environmental Reviews: Based upon proposed Federal funding, project level environmental reviews in accordance with the National Environmental Policy Act (NEPA) and the National Historic Preservation Act (NHPA) are required for each project undertaken with Denali Commission funds. In accordance with NEPA and NHPA legislation, AEA will require borrowers to comply with the public policy laws and assurances. If the scope of work is changed in the future, the borrower will revisit the project level environmental reviews to determine if potential environmental concerns must be further addressed. In the interest of streamlining the project level environmental reviews and to avoid duplication of effort, any other Federal Agency environmental review process carried out by borrowers on projects, identified in this Agreement, shall meet the intent of this paragraph.

## *9. Project Officers & Contact Information*

AEA project officers are Mr. Peter Crimp for purposes of project management and Ms. Sara Fisher-Goad for purposes of financial management. The Commission project officers are Ms. Kathleen Prentki for purposes of project management and Ms. Michelle O'Leary for purposes of financial management.

| **Denali Commission** | **Alaska Energy Authority** |
|---|---|
| Ms. Kathleen Prentki<br>510 "L" Street, Suite 410<br>Anchorage, AK 99501<br>Voice – (907) 271-1414<br>Fax – (907) 271-1415<br>e-mail: kprentki@denali.gov | Mr. Peter Crimp<br>813 W. Northern Lights Blvd.<br>Anchorage, AK 99503<br>Voice – (907) 269-4631<br>Fax – (907) 269-3044<br>e-mail: pcrimp@aidea.org |
| Ms. Michelle O'Leary<br>510 "L" Street, Suite 410<br>Anchorage, AK 99501<br>Voice – (907) 271-1767<br>Fax – (907) 271-1415<br>e-mail: moleary@denali.gov | Ms. Sara Fisher-Goad<br>813 W. Northern Lights Blvd.<br>Anchorage, AK 99503<br>Voice – (907) 269-4623<br>Fax – (907) 269-3044<br>e-mail: sfishergoad@aidea.org |

# Cost Reduction Program--Round 1
## Project Status
## 6/26/2002

| Proposer | Project | Amount Requested | Grant Amount | Loan Amount | Funding Accepted by Applicant | Power Project Fund Review Complete | RUS Funds | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| APC | Prince of Wales Island Controls | $ 500,000 | $ 318,918 | $ 181,082 | X | X | X | | | |
| APC | Skagway Line Extension | $ 444,540 | $ 247,061 | $ 197,479 | X | X | X | | | |
| AVEC | Emmonak Diesel Generator | $ 150,000 | $ 36,572 | $ 113,428 | X | X | X | | | |
| AVEC | Hooper Bay Diesel Generator | $ 150,000 | $ 74,230 | $ 75,770 | X | X | X | | | |
| AVEC | Mt. Village Diesel Generator | $ 150,000 | $ 86,160 | $ 63,840 | X | X | X | | | |
| AVEC | Nunapitchuk Diesel Generator | $ 150,000 | $ 46,431 | $ 103,569 | X | X | X | | | |
| AVEC | Selawik Switchgear | $ 300,000 | $ 183,592 | $ 116,408 | X | X | X | | | |
| AVEC | St. Mary's Switchgear | $ 300,000 | $ 191,372 | $ 108,628 | X | X | X | | | |
| AVEC | Togiak Switchgear | $ 300,000 | $ 160,229 | $ 139,771 | X | X | X | | | |
| **subtotal** | | **$ 2,444,540** | **$ 1,344,564** | **$ 1,099,976** | | | | 1,099,976 | $ 1,143,975 | RUS loan + 4% |
| | | | | | | | | 1,807,075 | $ 1,879,358 | Non-RUS loan + 4% |
| APC | South Fork Hydroelectric | $ 3,542,800 | $ 1,896,932 | $ 1,645,868 | X | | NA | | **$ 3,023,332** | **total loan + 4%** |
| City of Atka | Atka Heat Recovery | $ 218,000 | $ 56,793 | $ 161,207 | X | | NA | | | |
| **subtotal** | | **$ 3,760,800** | **$ 1,953,725** | **$ 1,807,075** | | | | | | |
| **Total** | | **$ 6,205,340** | **$ 3,298,290** | **$ 2,907,050** | | | | 1,344,564 | $ 1,398,347 | RUS grant + 4% |
| | | | | | | | | 1,953,725 | $ 2,031,874 | Non-RUS grant + 4% |
| | | | | | | | | | **$ 3,430,221** | **total grant + 4%** |
| AVEC | Togiak Diesel Generator | $ 150,000 | $ 43,774 | $ 106,226 | | | NA | | | |
| Golder Valley Electric Assoc. | Chatanika Line Extension | $ 567,000 | $ - | $ 567,000 | | | NA | | | |
| Kwig Power Co. | Kwig Diesel Generators | $ 246,200 | $ 131,261 | $ 114,939 | | | NA | | | |
| North Slope Borough | Kaktovik Heat Recovery | $ 418,935 | $ 4,931 | $ 414,004 | | | NA | | | |
| **subtotal** | | **$ 1,382,135** | **$ 179,966** | **$ 1,202,169** | | | | | | |
| | | | | | | | | | | |
| **Total All Projects** | | **$ 7,587,475** | **$ 3,478,255** | **$ 4,109,220** | | | | | | |
| | | | | | | | | | | |
| **Current Grant Agreement** | current grant agreement for ECR | $ 3,952,846 | | | | 2,907,050 | 116,282 | 3,023,332 | | 4% on loan fund |
| | needed for ECR #1 - grants | $ 3,298,290 | | | | 3,298,290 | 131,932 | 3,430,221 | | 4% admin grants |
| | reduction for grant 2002 | $ 654,556 | | | | 6,205,340 | 248,214 | 6,453,554 | | 4% on total |
| | | | | | | | | | | |
| **New Grant for PPF Loans** | Funds avail for PPF capitalization | $ 654,556 | | | | | | | | |
| | New Money needed for loans | $ 2,252,494 | | | | | | | | |
| | Total for loans | $ 2,907,050 | | | | | | | | |

kprentki financial assistance award calculations
6/25/02

**Power Project Fund – Alaska Power Company**
**South Fork Hydroelectric Project**

A. Action Item

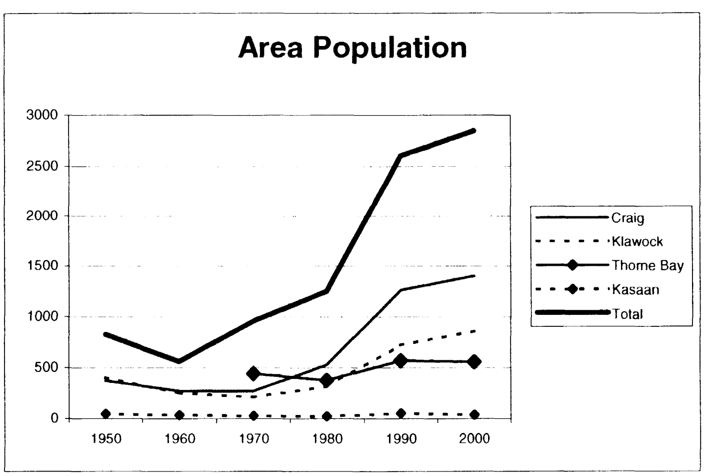
Approval of a 5.45% loan of $1,645,868 from the Power Project Fund to Alaska Power Company to partially finance the design and construction of the South Fork hydroelectric project, to be located on Prince of Wales island in close proximity to the existing Black Bear Lake hydroelectric project.

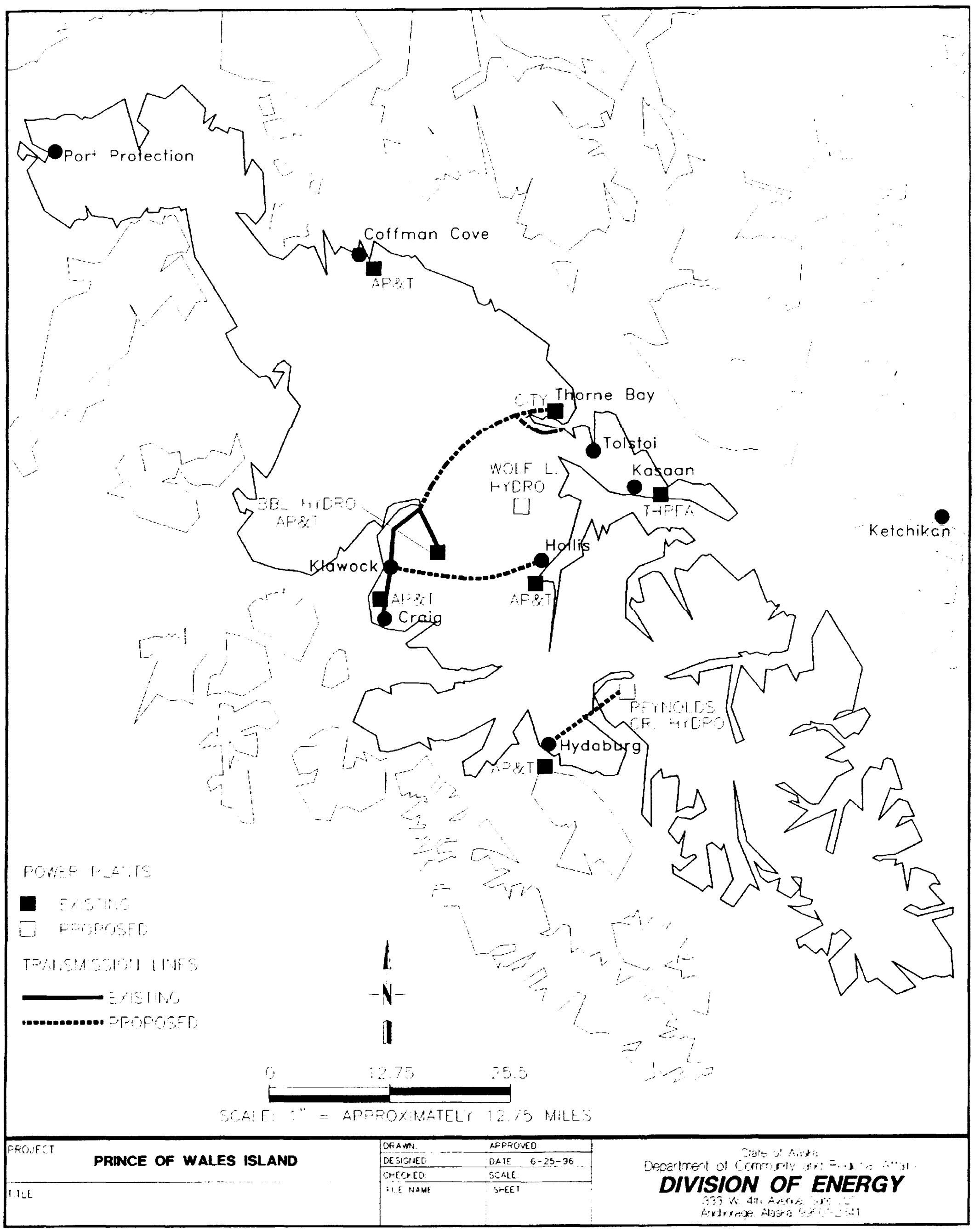
B. Background

Although somewhat out of date, the map on the next page shows the communities and existing power supply sources on Prince of Wales island near Ketchikan. An existing transmission line connects the communities of Craig, Klawock, Thorne Bay, and Kasaan with the Black Bear Lake hydroelectric project as well as the diesel power plants that are maintained in each community. APC and Black Bear Lake Hydro, Inc., both of which are 100% owned subsidiaries of Alaska Power & Telephone Co., own all of these assets, or will own them all shortly when APC's purchase of the Thorne Bay utility is finally executed. The terms of that purchase have been approved by all parties including the RCA.

Presently, Black Bear Lake supplies nearly all the power consumed in these four communities although most of the project's hydroelectric capability is needed in order to do so. Supplemental diesel is used to meet a residual 5% of the four communities' electricity demand.

Although economic growth has recently leveled off due largely to cutbacks in the timber industry, the chart below shows a 30-year history of population growth in the region, specifically in Craig and Klawock.




Port Protection
Coffman Cove
AP&T
Thorne Bay
Tolstoi
Kasaan
WOLF L. HYDRO
Ketchikan
Hollis
Klawock
AP&T
Craig
AP&T
Hydaburg
AP&T
POWER PLANTS
EXISTING
PROPOSED
TRANSMISSION LINES
EXISTING
PROPOSED
N
0
12.75
25.5
SCALE: 1" = APPROXIMATELY 12.75 MILES
PROJECT
PRINCE OF WALES ISLAND
TITLE
DRAWN:
APPROVED:
DESIGNED:
DATE 6-25-96
CHECKED:
SCALE:
FILE NAME
SHEET
State of Alaska
DIVISION OF ENERGY

C. Project Information

The applicant estimates that the total capital cost will be $3,542,800. South Fork is proposed as a 2.0 MW, run-of-river project with the capability of generating 6.4 million kWh in an average water year. Not all of this capability can be used immediately – supplemental diesel generation for the four interconnected communities last year was only 1.3 million kWh. Nor can all supplemental diesel generation be discontinued when South Fork is built since South Fork's generating capability is concentrated during the temperate months but limited by water availability during the winter months.

The key factor that makes the South Fork project viable in the near term is the anticipated construction of a new transmission line that will connect the existing grid in the central part of the island with the communities of Hollis and Hydaburg to the south. Both of these communities are presently served by APC with isolated diesel power plants. The addition of these two communities to the interconnected system will initially increase generating requirements within the overall grid by approximately 2.0 million kWh per year. Much of this additional load could be supplied by South Fork hydro rather than by diesel.

The new transmission line to Hollis and Hydaburg was not factored into the analysis when APC submitted its South Fork financing proposal to AEA last year. However, after the South Fork application was submitted and after AEA's initial review of the application, federal grant funds of $3.0 million were appropriated to the U.S. Department of Energy (USDOE) specifically to fund a new transmission line to Hollis and Hydaburg as described above. $3.0 million constitutes most or all of the funds needed to build the line.

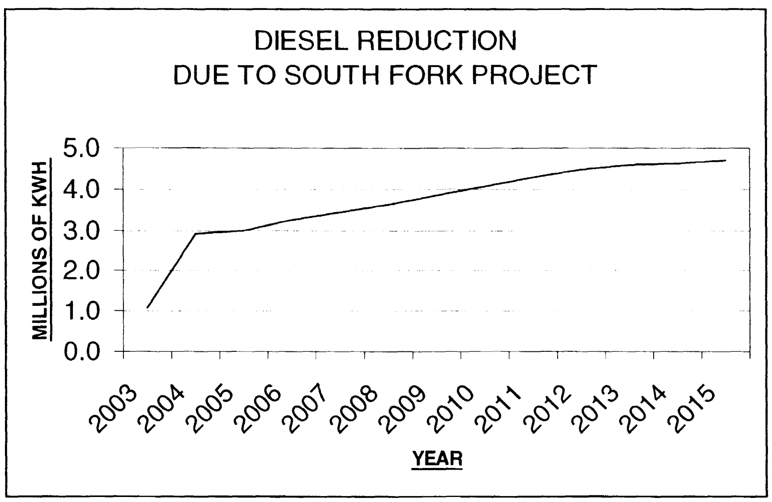
The $3.0 million in federal grant funds for the intertie project is now held in USDOE's Idaho office, awaiting the conclusion of negotiations on a grant agreement with APC. Although not yet completely assured, it is most unlikely that APC will fail to negotiate an agreement that will give the utility access to the federal grant funds. As a result, it can be projected with a high level of confidence that the additional 2.0 million kWh generating requirement from Hollis and Hydaburg will be placed on the APC grid that ties into the Black Bear Lake hydro project and into the proposed South Fork hydro project. APC's updated load forecast assumes that the new transmission line will be operational in 2004. The load forecast also assumes that the long-term population growth trend that has been evident in Craig and Klawock over the last 30 years will resume, and that gradual long-term growth in electricity demand will resume along with it.

Based in part on these developments, projected annual savings from the construction of South Fork hydro have now been re-estimated by AEA using the following assumptions:

- The price of diesel fuel delivered to Prince of Wales island will remain constant in real terms at 1.06 per gallon – that is, the fuel price is projected to increase only at the rate of inflation.

- The increase in hydro O&M costs for the South Fork project will be equal to the expected decrease in diesel O&M costs. In other words, no net savings or net increases in O&M costs are assumed to occur. Insufficient information was provided by the applicant that would support a more precise accounting of South Fork's impact on net O&M costs.

- Per the applicant's projection, South Fork hydro will reduce diesel generation by approximately 1.1 million kWh in 2003, 2.9 million kWh in 2004 (following completion of the Hollis-Hydaburg intertie), with further gradual increases in diesel savings in future years based on long term growth trends as shown in the following graph:




Given these assumptions, the amount of operating cost saved in South Fork's second year of operation – that is, following completion of the Hollis-Hydaburg intertie – is estimated at $225,240, consisting entirely of avoided fuel costs.

D. Financial Feasibility

As with all the other applications received in response to the May 2001 RFP, AEA first determined whether the project is likely to have a benefit-cost ratio greater than 1.0 over its expected economic life. Based on the revised assumptions outlined above, AEA now estimates a B/C ratio of approximately 1.8 for South Fork hydro, indicating that the present value of project benefit is expected to exceed the present value of project cost over the long run.

Given that conclusion, AEA then determined the loan portion of proposed financing by calculating the expected net annual savings from the project, determining the maximum debt load that the project could support by assuming that all net annual savings are committed as debt service, and then cutting that maximum debt load in half. This method has been applied to the South Fork hydro project as follows:

- As described above, South Fork is now expected to produce annual diesel fuel savings of $225,240 in 2004 upon completion of the intertie to Hollis and Hydaburg. If these savings were dedicated to the payment of debt service, the maximum debt load that the project could support in 2004 without creating upward pressure on electricity rates would be approximately $3.3 million. AEA recommends that half of this amount – $1,645,868 – be offered as a loan to help finance the South Fork project at an interest rate of 5.45% over a term of 30 years.

- If South Fork is completed before the new intertie is operational, APC or its parent company would experience financial losses until the Hollis-Hydaburg loads are interconnected to the system. APC's schedule projections indicate that such losses would be experienced for, at most, one year, while net savings from the project would begin in year 2 and would then continue and grow for the duration of the project's useful life.

As with the other projects submitted in response to the Energy Cost Reduction RFP of May 2001, funds from the Denali Commission will pay for both the loan and the grant portion of project financing. For the South Fork project, if the Loan Committee approves the recommended loan of $1,645,868, then the grant portion of project financing to be supplied by the Denali Commission would be $1,896,932. This sum of these grant and loan amounts is equal to the full estimated capital cost of $3,542,800.

E. Credit Analysis

Alaska Power Company is a wholly owned subsidiary of Alaska Power & Telephone Company (AP&T). Since AP&T has guaranteed all previous PPF loans, this analysis will address the financial condition of AP&T covering the fiscal years 1998 through 2001.

| **Four-Year Summary** (Thousands of dollars) | **2001** | **2000** | **1999** | **1998** |
|---|---|---|---|---|
| **Revenues** | 28,590 | 23,613 | 19,511 | 16,822 |
| **Expenses** | 26,290 | 21,218 | 17,066 | 13,915 |
| **Operating Income** | 2,300 | 2,395 | 2,445 | 2,907 |
| **Net Income** | 1,572 | 1,363 | 2,252 | 2,215 |
| **Financial Condition** | | | | |
| Utility Plant, Net | 79,692 | 74,382 | 64,449 | 59,659 |
| Total Assets | 121,767 | 105,758 | 83,165 | 75,485 |
| Tangible Net Worth | 13,597 | 12,334 | 20,190 | 18,755 |
| Total Liabilities | 98,904 | 84,234 | 62,192 | 55,914 |

Ernst & Young LLP audit the financial statements. The statement for 2001 is still in a draft form. AP&T's total assets have increased significantly over the reporting period, 61% over the four-year period. The increase in assets was primarily due to investment in new plant and facilities throughout their service area. At the same time total liabilities increased 77%. Their leverage (total liabilities/tangible net worth) stood at 7.3:1 at fiscal year end 2001. This ratio compares unfavorably with the lower quartile of electric utilities of comparable asset size and total revenues as reported by Risk Management Associates (RMA). This ratio increased significantly in 2000 and 2001 due to acquisitions where a significant amount of goodwill was booked. Stockholder equity also continues to grow, 17% over the four-year period. This growth comes about from sale of common stock to the Employee Stock Ownership Plan (ESOP) and retained earnings.

As of the end of the first quarter of 2002, AP&T (which includes Alaska Power Company) had five outstanding PPF loans and a total balance due of $2,072,275 and another $100,000 committed but not disbursed. All loans are paying as agreed.

Total revenues from electric and telecommunications has increased from $16.8 million in 1998 to $28.6 million in 2001, a 70% increase. Between the two revenue producing categories, telecommunications has led the way, from 37.2% of total revenues in 1998 to 53.2% of total revenues in 2001. However, operating income as a percentage of total revenues has declined from 17% in 1997 to 8% in 2000. This decline is largely in part to the interest expense from the increase in long-term debt, more than twofold over the four year period, which was used in part to fund the acquisition of Hydro West Group LLC and acquire certain assets of GTE Alaska. Hydro West Group LLC is a subsidiary of Puget Sound Energy, Inc. The principal assets of Hydro West Group are a 25% equity investment in an existing and planned hydroelectric project in Central America.

While the company's leverage is increasing, other financial indicators remain good. Their liquidity ratio (the quality and adequacy of current assets to meet current obligations as the come due) for December 31, 2001 is 2.90:1, which is almost twice of that shown in the highest quartile by RMA for utilities of the same asset size.

The other important point of analysis is the company's ability to cover debt service. Their ability to pay principal and interest with income before taxes remains positive although that ratio has declined over the past three years.

One of the difficulties in analyzing a growing company is the lag that sometimes occurs between acquisition of assets and the generation of revenues. While AP&T appears to be a financially sound company at this time, their overall operating margin is declining and this trend needs to be watched closely.

F. Recommendation

The Authority recommends that the loan be approved for $1,645,868 at 5.45% interest over a repayment term of 30 years. A condition of the loan will be an unconditional guarantee of full repayment by the parent company, Alaska Power & Telephone Co., regardless of the project outcome or any other occurrences. Approval of this loan will also be subject to the following:

- Receipt of grant funds from the Denali Commission dedicated for Power Project Fund loans for Round 1 of the Energy Cost Reduction Program as set forth in the Memorandum of Agreement between Alaska Energy Authority and the Denali Commission.

- Approval by the Alaska State Legislature for receipt authority of the Denali Commission grant funds into the Power Project Loan Fund.
- Adherence by the borrower to any and all terms and conditions set forth by the Denali Commission in the document entitled *Awards Conditions to the Financial Assistance Award – Power Project Fund Capitalization – Alaska Energy Authority.*
- Execution of a grant agreement between APC and the USDOE that will enable APC to construct a transmission line linking Black Bear Lake and South Fork to the communities of Hollis and Hydaburg. No grant or loan funds for the South Fork project will be disbursed by AEA until all funding and approvals necessary to build the intertie to Hollis and Hydaburg have been acquired by APC.
- APC or its parent company agree to cover any cost overruns that may occur in the development of the South Fork project from its own financial resources.

As required by 3 AAC 106.110, the Authority hereby makes the following determinations:

i. Both the project and the applicant meet the program's eligibility criteria.

ii. The project will meet the needs of the area and benefit the area.

iii. The project is technically feasible.

iv. The project is financially feasible.

v. There are no alternatives to the project that are less costly that also meet the criteria stated in (ii) above.

vi. Any PPF loan for the project will require the borrower to obtain all necessary permits and certificates.

vii. Sufficient funds are available in the Power Project Fund to make the loan.

viii. The applicant has or will have sufficient revenue from all sources to repay the loan.